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Flying Again

By PHILLIP LUTZ

A DECADE ago, with military spending declining and a recession in full force, Grumman began slashing a workforce that once topped 25,000, making it the largest private-sector employer on Long Island. Then, Northrop bought Grumman and moved most of the aerospace company's operations to Southern California and elsewhere. That nearly ended the Island's long tradition as a center for defense manufacturing, and lent new urgency to local planners' calls for economic diversification.

Now, a big new contract will boost Northrop Grumman's Long Island payroll by nearly 50 percent, still under 3,000 but enough to place the company among the top 15 private employers on the Island. The mantra of economic diversification has been all but drowned out by the clamor to rebuild the local contribution to the military-industrial complex.

Under the contract, announced this month, Northrop Grumman will receive \$1.9 billion to upgrade the Navy's E-2C Hawkeye radar plane and airborne command post. By the time hiring for the project is completed at the end of 2004, the company will have added 800 jobs in Bethpage, its heaviest hiring since the the 1980's, said Philip A. Teel, Northrop Grumman's vice president for airborne early warning and electronic warfare systems.

The contract will help raise Long Island's defense profile in Washington after attention and jobs had shifted south and west, Senator Hillary Rodham Clinton said. "The quality of the work and the intellectual capital had certainly remained high," she said of Long Island's military contractors, but "when thinking about the defense industry, Long Island was no longer on the tip of anybody's tongue."

Senator Clinton, a Democrat in a Republican-controlled Washington but one with a seat on the Senate Armed Services Committee, said the new hiring will help "begin the process of moving Long Island defense firms into competitive positions again."

Representative Steve Israel of Huntington said the contract was "a giant leap in returning Long Island as the capital of America's defense industry." Mr. Israel, also a Democrat but also sitting on his house's armed services committee, has emerged as a leader in efforts to rebuild the Island's defense industry in the post-9/11 era, developing the high-tech tools

of 21st-century warfare and domestic security. "That, I think, is the future of Long Island's economy," he said. "And the Hawkeye contract gives us a nice solid base to build on."

No one is predicting a return to the glory days of military contracting on the Island, when manufacturers like Grumman and Republic turned out craft ranging from the P-47 fighter plane to the Apollo lunar module. Big-time aircraft manufacturing is gone forever from the Island; a water tower now sprouts from the runway at Northrop Grumman's Bethpage plant, and its Calverton plant now belongs to the Town of Riverhead. But the design and manufacture of the sophisticated components that are installed inside the military aircraft "platform" are still well within the repertory of Long Island's high-tech workforce, and the trend of declining employment in the local defense sector has taken a decided turn.

Employment in Northrop Grumman's airborne early warning and electronic warfare division in Bethpage, where design work on the advanced Hawkeye is being done, declined from 2,524 in December 1998 to 1,605 in December 2001, according to the Defense Contract Management Agency, which monitors military contractors for the Department of Defense.

But as of June 2003, that number had grown to 1,798. Northrop Grumman, which has already hired about 200 people to work on the Hawkeye in Bethpage, expects to hire another 200 workers this year and 400 next year to work on the program, Mr. Teel said.

Overall defense sector employment on the Island has increased as well. The state Department of Labor reports that 80,566 people worked in the sector at its peak in 1986. By the third quarter of 2001, that number had declined to 26,015. But in the fourth quarter of that year, the latest quarter for which figures are available, the number had increased to 27,223. Since then, the number has risen by about 2,000, according to estimates by Yacov Shamash, the dean of engineering and applied sciences at Stony Brook University.

Department of Defense statistics show contract awards to defense companies in Nassau and Suffolk declining from \$3.9 billion in 1990 to \$1 billion in 2001, the last year for which figures are available. Since then, Dr. Shamash estimated, "well over \$2 billion" has been awarded to firms on the Island. The \$1.9 billion for Northrop Grumman's new contract alone would make this year the biggest since 1993, when the Island's defense companies took in \$2.2 billion.

Grumman's involvement with the Hawkeye dates from the 1960's, when it built the earliest version of the carrier-based plane. Although the Hawkeye's basic look has changed little since then -- it remains a propeller craft with a distinctively stubby body topped by a huge radar dish -- the plane's avionics have undergone at least five upgrades.

The new upgrade represents a "major modification" of the Hawkeye 2000, the version of the plane now in production, Mr. Teel said. The advanced Hawkeye will have a new radar system that can detect missiles as well as aircraft over land and water with greater

range and precision. The fuselage will be enlarged and the cockpit reconfigured.

The first planes, scheduled for delivery in 2011, will come from Northrop Grumman's St. Augustine plant. But much of the design work will be done at the company's new Cyber Warfare Integration laboratory, which is set to be unveiled at a "technology day" on Sept. 8 at the Bethpage plant. Some 250 C.E.O.'s and others are scheduled to gather to discuss strategy for cooperating to win contracts from the Defense and Homeland Security departments.

The consensus is that homeland security, as much as traditional defense, is where Long Island's future lies. "We have a lot to offer in this new security environment, not only in the defense budget but in homeland security," Mrs. Clinton said.

Of the \$1.9 billion approved for this phase of the Hawkeye's development, Northrop Grumman's Bethpage operations will receive 55 percent, or slightly more than \$1 billion, according to Department of Defense figures.

One of the lead subcontractors is BAE Systems in Greenlawn, which will help develop the "identification friend or foe" system for the advanced Hawkeye. The system helps determine the intentions of aircraft through an electronic question-and-answer system.

Patricia McMahon, the vice president for electronic identification and display systems at BAE, said she expected the new contract to be finalized by Oct. 1. It is only one of a number of projects BAE is working on. The company, which employs about 1,100 people in Greenlawn, has added nearly 100 workers over the past year, and expects to hire another 100 or 150 over the next two years, she said.

"The industry is coming back," she said.

BAE is the only Long Island company among the lead subcontractors. But more opportunities for local companies will arise over the next six to eight months, when secondary subcontractors are chosen.

Welding Metallurgy is typical of the subcontractors who supply the Island's major defense companies. In business since 1979, the West Babylon company is an "integrated assembler," buying parts from other companies and putting them together into larger parts, like escape hatches and fuel lines.

Welding Metallurgy depends on defense companies for most of its work, so the decline in military spending in the 1990's had a major impact on business, said John Gantt, the company's chief executive officer. But "now it's starting to come back," he said, adding that the new Northrop Grumman contract "certainly will open a lot of doors."

Mr. Gantt said that his company's slice of the advanced Hawkeye pie might go as high as \$8 million, and that his workforce might triple, to 120. To make room, the company is scheduled to move into a 25,000-square-foot building in Wyandanch in March, more than

doubling the space it occupies.

The deal "sets a positive economic climate for Long Island," said Lee E. Koppelman, executive director of the Long Island Regional Planning Board. "The history of Grumman has been that as they create jobs, they create secondary jobs in terms of their subcontractors."

Mr. Teel said it was too early to say how many subcontractors would be used or where they would be from. But company records show that 98 Long Island companies work on aspects of the Hawkeye 2000 directly related to its development and construction. The new contract could have a "tremendous effect" on Long Island's 1,500 or so information technology companies, said Peter Goldsmith, president of the Long Island Software and Technology Network, which promotes such companies. In-house sessions Grumman once held with small technology companies had "sort of evaporated," he said. "But now that it's going in the other direction, there's going to be a lot of business on Long Island at a very high level. I can't see Long Island businesses not meeting those challenges, ramping up and serving those needs."

The contract could generate interest off the Island, Mrs. Clinton said. "The more people who are attracted to Long Island because we have this advanced, highly technical work to be done, the more people will think of Long Island as a place to do that kind of work. It really is reinforcing. The hundreds of jobs that are going to be created in the next year because of this contract I believe will foster other private-sector and public-sector jobs that will be attractive simply because Northrop Grumman got this big contract."

Gary Huth, an analyst with the state Department of Labor, agreed. "Opportunities become a magnet," he said. "By that I mean not just the number of jobs available, but when a region becomes a place other people want to be at because that's where the action is happening."

Mr. Israel said that the Hawkeye contract could act as a "linchpin in marketing Long Island as a capital of technology, not just for the Navy but also for homeland security, biotechnology and, in general, in the military's transformation." But he warned that the effort begun in the late 1980's to diversify the local economy must not be abandoned.

Mr. Teel said that hiring was on schedule, but that while the largest percentage of candidates were from Long Island, Northrop Grumman was having to draw from other parts of the country to fill its staffing needs, and that a lack of suitable housing was a "major issue." He said he was hoping that municipalities would show "flexibility" on local zoning ordinances, most of which restrict multiunit housing.

Mr. Israel said he would introduce legislation in Congress next month that would provide tax credits and incentives for developers to build entry-level housing on the Island as a "defense production capacity issue." He said the proposal would also call for down-payment assistance for first-time home buyers, grants to localities to streamline workforce housing programs and federal investment in the construction of workforce

housing.

Despite his concern about housing, Mr. Teel gave no indication that Northrop Grumman would be deterred from taking on more major projects. In the next six to eight months, Mr. Teel said, he anticipates receiving a contract for at least \$500 million to develop the EA-18, the replacement for the EA-6B Prowler, the Navy's electronic attack aircraft. The EA-18, a variant of an existing fighter-bomber, would have improved surveillance and jamming capabilities. And another big project may be in the works, one in the maritime surveillance arena. Northrop Grumman is proposing that the Navy replace some of its manned P-3 surveillance aircraft with the Global Hawk, an unmanned vehicle. "This one is a little further out," Mr. Teel said. "But it's another one I feel bullish about."